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August 2006 Investment Committee Meeting  
(June 2006 Reporting Period)**

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**TARGET PERCENTAGE COMPARISON**  
**ASSET ALLOCATION<sup>1</sup>**  
As of June 30, 2006

<b>(A)</b> <b><u>Asset Class</u></b>	<b>(B)</b> <b><u>Market Value</u></b> <b>(\$ Billion)</b>	<b>(C)</b> <b><u>Current</u></b> <b><u>Allocation</u></b>	<b>(D)</b> <b><u>Target</u></b>	<b>(E)</b> <b><u>Macro</u></b> <b><u>Ranges</u></b>	<b>(F)</b> <b><u>Difference</u></b> <b><u>(C-D)</u></b>
<b>Total Cash Equivalents</b>	<b>0.6</b>	<b>0.3 %</b>	<b>0.0 %</b>		<b>0.3 %</b>
<b>Total AIM: Direct/Partnership</b>	<b>11.3</b>	<b>5.4</b>	<b>6.0</b>	<b>3-9 %</b>	<b>-0.6</b>
<b>Total Global Fixed Income</b>	<b>49.9</b>	<b>24.0</b>	<b>26.0</b>	<b>21-31 %</b>	<b>-2.0</b>
Equities					
Domestic <sup>2</sup>	<b>83.2</b>	<b>39.9</b>	<b>40.0</b>		<b>-0.1</b>
International	<b><u>48.2</u></b>	<b><u>23.2</u></b>	<b><u>20.0</u></b>		<b><u>3.2</u></b>
<b>Total Equities</b>	<b>131.4</b>	<b>63.1</b>	<b>60.0</b>	<b>61-71 %</b>	<b>3.1</b>
<b>Total Real Estate</b>	<b>15.0</b>	<b>7.2</b>	<b>8.0</b>	<b>4-12 %</b>	<b>-0.8</b>
<b>Total Equities &amp; Real Estate</b>	<b>146.4</b>	<b>70.3</b>	<b>68.0</b>		<b>2.3</b>
<b>Total Fund</b>	<b><u>208.2</u></b>	<b><u>100.0 %</u></b>	<b><u>100.0 %</u></b>		

<sup>1</sup> As allocated to managers.

<sup>2</sup> Included is MDP Investment: LM Capital Investment: Total Market Value=**\$179.5M**.

\* Figures for this report are rounded for viewing purposes. Calculations are based on actual values.  
When summing net amounts on this report, there may be breakage.

# TARGET DOLLAR COMPARISON ASSET ALLOCATION

As of June 30, 2006

(A) <u>Asset Class</u>	(B) Current <u>Allocation</u>	(C) <u>Market Value</u> (\$ Billion)	(D) <u>New Policy</u> <sup>1</sup> (\$ Billion)	(E) Difference <u>(D-C)</u> (\$ Billion)
Total Cash Equivalents	0.3 %	0.6	0.0	-0.6
Total AIM: Direct/Partnership	5.4	11.3	12.5	1.2
Total Global Fixed Income	24.0	49.9	54.1	4.2
Equities				
Domestic <sup>2</sup>	39.9	83.2	83.3	0.1
International	<u>23.2</u>	<u>48.2</u>	<u>41.6</u>	<u>-6.6</u>
Total Equities	63.1	131.4	124.9	-6.5
Total Real Estate	7.2	15.0	16.7	1.6
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Total Equities & Real Estate	70.3	146.4	141.6	-4.9
	<hr/>	<hr/>	<hr/>	
Total Fund	<u>100.0 %</u>	<u>208.2</u>	<u>208.2</u>	

<sup>1</sup> New Policy: Strategic asset allocation targets effective January 1, 2005.

<sup>2</sup> Included is MDP Investment: LM Capital Investment: Total Market Value=\$179.5M.

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# MONTHLY PROGRESS REPORT

## ASSET ALLOCATION<sup>1</sup>

As of June 30, 2006

(A)	(B)	(C)	(D)	(E)
<u>Asset Class</u>	<u>5/31/2006 Market Value (\$ Billion)</u>	<u>6/30/2006 Market Value (\$ Billion)</u>	<u>Difference (C-B) (\$ Billion)</u>	<u>Target (\$ Billion)</u>
Total Cash Equivalents	1.5	0.6	-0.9	0.0
Total AIM: Direct/Partnership	11.1	11.3	0.2	12.5
Total Global Fixed Income	50.0	49.9	-0.1	54.1
Equities				
Domestic <sup>2</sup>	83.4	83.2	-0.2	83.3
International	<u>48.3</u>	<u>48.2</u>	<u>-0.1</u>	<u>41.6</u>
Total Equities	131.7	131.4	-0.3	124.9
Total Real Estate	11.6	15.0	3.5	16.7
	_____	_____	_____	_____
Total Equities & Real Estate	143.2	146.4	3.2	141.6
	_____	_____	_____	_____
Total Fund	<u><u>205.9</u></u>	<u><u>208.2</u></u>	<u><u>2.3</u></u>	<u><u>208.2</u></u>

<sup>1</sup> Monthly progress report toward new policy targets.

<sup>2</sup> Included is MDP Investment: LM Capital Investment: Total Market Value=\$179.5M.

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# BOOK VS MARKET VALUE

As of June 30, 2006

<b>(A)</b> <b><u>Asset Class</u></b>	<b>(B)</b> <b><u>Book</u></b> <b><u>Value</u></b> <b>(\$ Billion)</b>	<b>(C)</b> <b><u>Market</u></b> <b><u>Value</u></b> <b>(\$ Billion)</b>	<b>(D)</b> <b><u>Difference</u></b> <b><u>(C - B)</u></b> <b>(\$ Billion)</b>
<b>Total Cash Equivalents</b>	<b>0.6</b>	<b>0.6</b>	<b>0.0</b>
<b>Total AIM: Direct/Partnership</b>	<b>13.1</b>	<b>11.3</b>	<b>-1.8</b>
<b>Total Global Fixed Income</b>	<b>51.0</b>	<b>49.9</b>	<b>-1.1</b>
Equities			
Domestic <sup>1</sup>	<b>50.1</b>	<b>83.2</b>	<b>33.1</b>
International	<b><u>37.1</u></b>	<b><u>48.2</u></b>	<b><u>11.2</u></b>
<b>Total Equities</b>	<b>87.1</b>	<b>131.4</b>	<b>44.3</b>
<b>Total Real Estate</b>	<b>12.7</b>	<b>15.0</b>	<b>2.3</b>
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<b>Total Equities &amp; Real Estate</b>	<b>99.8</b>	<b>146.4</b>	<b>46.6</b>
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<b>Total Fund</b>	<b><u><u>164.5</u></u></b>	<b><u><u>208.2</u></u></b>	<b><u><u>43.7</u></u></b>

<sup>1</sup> Included is MDP Investment- LM Capital Investment: Total Book Value=**\$186.5M**, Total Market Value=**\$179.5M**.

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## GROSS PERFORMANCE VS EXPECTED RETURNS

One Year  
July 1, 2005 to June 30, 2006

(A)	(B)	(C)	(D)	(E)	(F)
<u>Asset Class</u>	<u>Current Allocation</u>	<u>Asset Return</u>	<u>CalPERS Long-Term Expected Annual Return<sup>1</sup></u>	<u>Expected Standard Deviation</u>	<u>One Standard Deviation Range</u>
Total Cash Equivalents	0.3 %	4.4 %	5.2 %	1.1 %	4.1 - 6.3 %
Total AIM	5.4	19.2	13.5	30.0	-16.5 - 43.5
Total Global Fixed Income	24.0	-1.1	6.1	8.0	-1.9 - 14.1
Equities					
Domestic	39.9	9.6	9.6	17.0	-7.4 - 26.6
International	<u>23.2</u>	<u>27.2</u>	9.1	19.5	-10.4 - 28.6
Total Equities	63.1	15.7			
Total Real Estate	7.2	38.8	8.5	14.0	-5.5 - 22.5
Total Fund	<u>100.0</u>	<u>12.3</u>	<u>8.8</u>	<u>12.2</u>	<u>-3.4 - 21.0</u>

<sup>1</sup> Asset Allocation Workshop, October 2004

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# NET PERFORMANCE VS EXPECTED RETURNS

One Year  
July 1, 2005 to June 30, 2006

(A)	(B)	(C)	(D)	(E)	(F)
<u>Asset Class</u>	<u>Current Allocation</u>	<u>Asset Return</u>	<u>CalPERS Long-Term Expected Annual Return<sup>1</sup></u>	<u>Expected Standard Deviation</u>	<u>One Standard Deviation Range</u>
Total Cash Equivalents	0.3 %	4.4 %	5.2 %	1.1 %	4.1 - 6.3 %
Total AIM	5.4	19.1	13.5	30.0	-16.5 - 43.5
Total Global Fixed Income	24.0	-1.1	6.1	8.0	-1.9 - 14.1
Equities					
Domestic	39.9	9.5	9.6	17.0	-7.4 - 26.6
International	<u>23.2</u>	<u>27.2</u>	9.1	19.5	-10.4 - 28.6
Total Equities	63.1	15.6			
Total Real Estate	7.2	32.1	8.5	14.0	-5.5 - 22.5
Total Fund	<u>100.0</u>	<u>11.9</u>	<u>8.8</u>	<u>12.2</u>	<u>-3.4 - 21.0</u>

<sup>1</sup> Asset Allocation Workshop, October 2004

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**GROSS RETURNS**  
**One Year**  
**July 1, 2005 to June 30, 2006**

	(A)	(B)	(C)
<u>Asset Classes</u>	<u>Reported Gross Return</u>	<u>Expenses<sup>1</sup> (Percent)</u>	<u>Net Return (A-B)</u>
<b>Total Cash Equivalents</b>	4.41%	0.00%	4.41%
<b>Total AIM</b>	19.15%	0.02%	19.13%
<b>Total Global Fixed Income</b>	-1.07%	0.01%	-1.08%
Equities			
Domestic	9.57%	0.04%	9.53%
International	<u>27.23%</u>	<u>0.08%</u>	<u>27.15%</u>
<b>Total Equities</b>	15.65%	0.05%	15.60%
<b>Total Real Estate</b>	38.75%	6.68%	32.07%
	<hr/>	<hr/>	<hr/>
<b>Total Fund</b>	12.26%	0.32%	11.94%

<sup>1</sup> Does not include Real Estate Advisor Fees or External Equity and Fixed Income manager base fees which are already netted out of return. Does include AIM Partnership and Direct Component fees.



**CALPERS INVESTMENT IN CALIFORNIA as of June 30, 2006**

(A)	(B)	(C)	(D)	(E)	(F)
		California	California	CA Investment	
	Portfolio	(Commitment/	Investments	as % of	
	Value	Investments) <sup>1</sup>	Investments	Asset Class	
<u>Asset Class</u>	<u>(\$ millions)</u>	<u>(\$ millions)</u>	<u>(\$ millions)</u>	<u>(D/B)</u>	<u>Program Description or Assumption</u>
<b>REAL ESTATE</b>					
Total Real Estate	15,018.8	8,354.6	4,134.6	28 %	Outstanding commitments (column C/column B): 55.6%
<b>EQUITY</b>					
AIM: Partnership Component	11,278.9	1,900.0	1,700.0	15	Includes commitments through June 30, 2006
Domestic Equity	83,180.1	12,477.0	12,477.0	15	CA investment is approximately 15%
International Equity	<u>48,247.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0</u>	
Total Equities	<u>142,706.5</u>	<u>14,377.0</u>	<u>14,177.0</u>	<u>10 %</u>	
<b>FIXED INCOME</b>					
<b>Domestic Fixed Income</b>					
Corporate / Treasury Bonds	26,414.8	492.6	492.6	2	Companies headquartered in CA
Mortgages and Commercial (Whole Loans/MBS)	15,581.1	2,794.1	2,794.1	18	Mortgage CA investments assumed to be 10% GNMA; 20% FNMA; 20% FHLMC; 20% CMO.
External Managed	1,333.5	0.0	0.0	<u>0</u>	
Subtotal	43,329.4	3,286.7	3,286.7	8	
International Fixed Income	<u>6,565.9</u>	<u>0.0</u>	<u>0.0</u>	<u>0</u>	
Total Fixed Income	49,895.4	3,286.7	3,286.7	7 %	
<b>CASH / CASH EQUIVALENTS</b>					
Total Cash / Cash Equivalents	607.7	0.0	0.0	0	On deposit at the Treasurer's Office: \$199.79
<b>TOTAL</b>	<u>208,228.3</u>	<u>26,018.4</u>	<u>21,598.4</u>	<u>10 %</u>	Outstanding commitments (column C/column B): 12.5%

<sup>1</sup> Total actual investments at market value and outstanding program commitments in California

**OPEN SESSION**  
**Chief Investment Officer's / Assistant Executive Officer's Report**  
**DISCLOSURE OF CLOSED SESSION ACTION ITEMS**

<b>Investment Committee Meeting</b>	<b>Agenda Item</b>	<b>Investment Committee Action</b>	<b>Vote</b>
Closed December 12, 2005	Global Equity – Internal Structured Equity Strategy	Authorized \$1 billion commitment to the Internal Structured Equity Strategy within the Global portfolio; and that staff report back later with an item regarding implementation and results at which time additional funding will be considered if it is so warranted.	Roll Call Vote: YES – Alvarado, Carlson, Diehr, Endsley, Feckner, Higa, Mathur, Oliveira, Quevedo, Valdes ABSTAIN – Hiber
Closed March 13, 2006	Global Equity – Corporate Governance External Manager	Approved up to a \$400 million investment in Breeden Partners L.P., and an equity stake in Breeden Partners G.P., subject to successful negotiation of satisfactory legal terms and conditions.	Roll Call Vote: YES – Berte, Carlson, Diehr, Feckner, Hiber, Greene Ross, Mathur, Oliveira, Quevedo, Shimada, Tom, Valdes ABSTAIN – Navarro
Closed September 19, 2005	Real Estate – Hines Fund	Approved postponing consideration of this item to the December 12, 2005 Investment Committee meeting.	Roll Call Vote: YES – Diehr, Feckner, Hiber, Mathur, Oliveira, Shimada, Symonds NO – Alvarado, Berte, Carlson, Navarro
Closed December 12, 2005	Real Estate – Hines Fund	Approved investing up to \$400 million in China subject to staff's satisfactory negotiation of terms and conditions.	Roll Call Vote: YES – Alvarado, Carlson, Diehr, Endsley, Feckner, Higa, Mathur, Oliveira, Quevedo, Shimada, Valdes NO – Hiber